

ARIZONA CORPORATION COMMISSION MEETING MINUTES

DATE: September 14, 2004

TIME: 9:30 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington Street, Room 100, Phoenix, Arizona 85007

ATTENDANCE: No Quorum of Commissioners. See list in Attachment 1.

TOPIC: DEMAND RESPONSE WORKSHOP

MATTERS DISCUSSED:

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction.

The first topic of discussion was the definition of "demand response" to be included in the DSM policy. Ms. Keene and Tom Hines of APS provided several possible definitions. The group engaged in a lengthy discussion of the pros and cons of several of the possible definitions but decided to revisit the issue after a general conversation about types of demand response programs.

The dialogue began as participants listed all of the different types of programs that could be considered demand response. As more types of programs were mentioned, the conversation turned to the organization and classification of those programs. The group identified two main types of demand response programs: market-based/economic and reliability programs. Sub-categories of programs were identified under these two umbrellas. The sub-categories under the market-based/economic umbrella include dynamic pricing/tariffs and price-responsive demand bidding. Sub-categories under the reliability umbrella include contractual curtailment, voluntary curtailment, and direct load control/cycling. Participants agreed that some types of demand response programs could fit under both the market-base/economic and reliability umbrellas.

Staff asked APS to describe an example of a type of demand response program for which it might seek to include in its DSM portfolio. Mr. Hines described a scenario in which APS might work with a large customer to profile its load using enhanced automation. Load profiling would allow the customer to track the manner in which it is using electricity and identify inefficiencies. Jeff Schlegel of SWEEP pointed out that the end effects of the enhanced automation would make a difference in whether SWEEP would support this type of program in a DSM portfolio. Participants discussed the difference between using the technology to reduce both peak demand and total usage versus just using the enhanced automation to shift load.

Following this, the group revisited the definition of demand response. Mr. Schlegel proposed a definition which was revised and augmented after some discussion. The result was a two-part definition that included both a description of demand response and the types of programs that may be included in the DSM policy.

The next topic on the agenda was the costs related to demand response programs. First the group went through the list of demand response programs and identified the costs associated with each type of program. Typical costs included meters, education, telecommunication, customer displays, software and internet, administrative, and incentive payments. This was followed by a discussion about which costs related to demand response should be included in DSM cost recovery.

Mr. Schlegel summarized SWEEP's position in favor of separate cost recovery for energy efficiency and demand response. Also, DSM dollars should not be spent to recover costs that should be recovered by market-based revenues. Several utility representatives pointed out that it is often difficult to differentiate between energy efficiency costs and demand response costs when they are part of a program that achieves both goals. Industry participants also stressed that often there are expensive barriers to demand response programs that make it difficult to convince customers to sign up. An examples of a barrier is enabling technology such as enhanced automation. Utility representatives argued that these types of costs should be considered for DSM funding.

Finally, participants discussed the topics that should be included in the DSM policy regarding demand response. Mr. Hines led the group through the current draft policy and identified each area in which separate language might be needed to address demand response programs. The following sections were identified as those needing language to address demand response: DSM Definition, Policy Goals, Planning, Cost Recovery, Funding Eligibility, Cost Effectiveness, Savings Estimation, Reporting Requirements, Key Terms, Commission Review and Approval, and Performance Incentives and Lost Revenue.

Ms. Keene distributed the link to the August 2004 GAO Report, *Electricity Markets, Consumers Could Benefit from Demand Programs, but Challenges Remain*.

The next DSM Workshop will be held on September 23, 2004 from 9:30 a.m. to 4:00 p.m.

Erin Casper
Utilities Division

Attendees at the Demand Response Workshop
September 14, 2004

Name	Organization
John Ashe	ICF Consulting
David Berry	Western Resource Advocates
Bruce Bilbrey	National Lighting
Jana Brandt	Salt River Project
Marv Buck	Buck-Taylor Consulting
Erin Casper	Arizona Corporation Commission Staff
Tim Coley	Residential Utility Consumer Office
David Couture	Tucson Electric Power
Charlie Gohman	Arizona Energy Office
Tom Hines	Arizona Public Service
Marshall Hunt	RHA
Barbara Keene	Arizona Corporation Commission Staff
Chris King	DRAM
Steve Koepp	AHS
A.K. Krainik	Arizona Public Service
Robert Krouse	Arizona Public Service
Brian O'Donnell	Southwest Gas
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
Greg Patterson	Arizona Competitive Power Alliance
Jesus M. Reza	Morenci Water & Electric
Russ Romney	Martinez & Curtis
Vicki Sandler	APS Energy Services
Jeff Schlegel	Southwest Energy Efficiency Project
Vivian Scott	Southwest Gas
Karen Smith	Salt River Project
Ray Williamson	Arizona Corporation Commission Staff